

RESOLUTION

No. 26

"18N's" S M B

On motion of Mrs. Stroud, seconded by Mr. Calongne,
the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral Board that Docket Item No. 26 from the July 9, 1986 Meeting be approved, subject to the approval of the Governor of Louisiana and the concurrence of the Attorney General, said instrument being a Mortgage presented by James A. Noe, Jr. in favor of Allied Bank of Texas in the amount of \$35,000,000.00, affecting State Lease No. 340, Iberia, St. Mary and Vermillion Parishes, Louisiana, with further particulars being stipulated in the instrument.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

- 1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;
- 2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral Board for the State of Louisiana, it being distinctly understood that the State Mineral Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;
- 3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;
- 4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and an assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind; and
- 5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby.
- 6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary or Deputy Assistant Secretary be and he is hereby authorized to reflect the approval of the State Mineral Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral Board held in the City of Baton Rouge, Louisiana, on the 9th day of July, 1986, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.

Edward A. R. Looze
State Mineral Board

APPROVED:

8-18-86

Edouard A. R. Looze
Governor of Louisiana

APPROVED:

July 27, 1986
William J. Foster
Attorney General

SMB

RECORDED IN MORTGAGE BOOK 4481 AT FOLIO 569, ENTRY NO. _____

RECORDED IN CONVEYANCE BOOK 869A AT FOLIO 44, ENTRY NO. 85-1602

STATE OF LOUISIANA

PARISH OF ORLEANS

COLLATERAL MORTGAGE, PLEDGE AND ASSIGNMENT OF PRODUCTION

BE IT KNOWN, that on this 20th day of February, 1985,

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for the Parish and State aforesaid, and in the presence of the undersigned competent witnesses,

PERSONALLY CAME AND APPEARED:

JAMES A. NOE, JR., an individual residing in Orleans Parish, Louisiana (hereinafter referred to as "Mortgagor"),

who, being duly sworn, did declare and say that Mortgagor is justly and truly indebted unto any future holder or holders of the Note (as hereinafter defined), in the principal sum of \$35,000,000.00. To evidence such indebtedness, Mortgagor has executed one certain collateral mortgage note for the principal sum of \$35,000,000.00, dated February 20, 1985, made payable to Bearer, due on demand at the offices of Allied Bank of Texas, which note stipulates to bear interest at the rate of twelve percent (12%) per annum from the date thereof until paid, and ten percent (10%) attorney's fees (hereinafter referred to as the "Note"), which Note, after having been paraphed "Ne Varietur" by me, said Notary Public, for identification with this instrument (hereinafter referred to as the "Mortgage"), was delivered to Mortgagor who hereby acknowledges receipt hereof.

Mortgagor further declared that the Note is given and this Mortgage is granted for the purpose of being used as collateral security by Mortgagor to secure any liability, indebtedness or obligation due any future holder or holders of the Note, direct or contingent. The Note may be issued and pledged by Mortgagor as his interest and convenience may require to secure loans and advances made or to be made or to secure the debt of Mortgagor or of any third party. Upon payment of said indebtedness, the Note may be returned to Mortgagor without extinguishment of the Mortgage herein granted, and may, at any time and as many times thereafter as the interest of Mortgagor may require, be again reissued or repledged by Mortgagor as collateral security, and this Mortgage shall be and remain in full force and effect to secure the Note until the Note has been cancelled on its face and this Mortgage has been released of record. As used herein, the term "Mortgagee" shall mean any future holder or holders of the Note, whether one or more.

In case the Note should be placed in the hands of any attorney-at-law, to institute legal proceedings to recover the amount thereof or any part thereof, in principal or interest, or to protect the interests of the holder or holders thereof, or in case the same should be placed in the hands of any attorney for collection, compromise or other action, Mortgagor hereby binds itself to pay the fee of the attorney who may be employed for that purpose, which fee is hereby fixed at ten percent (10%) of the amount due or sued for or claimed or sought to be protected, preserved, or enforced.

AND NOW, in order to secure the full, due, and punctual payment of all indebtedness evidenced by the Note, and/or any extension or renewal thereof, as well as all costs, taxes, assessments, charges, insurance premiums, compensation of a keeper, attorney's and collection fees, and other costs and indebtedness incurred and paid hereunder, and to secure the faithful observance and performance of all of the obligations, agreements, covenants, and stipulations contained herein and in the Note, Mortgagor declares that he does by these presents mortgage, affect, pledge, and hypothecate unto Mortgagee, whether the Note be held by Mortgagee as an original obligation or in pledge, the following rights, interests and properties:

- A. All of the right, title and interest of Mortgagor in and to the oil, gas and mineral leases, oil and gas leases, subleases, leasehold and working interests, overriding royalty interests, net profits interests, payments out of production, mineral interests, royalty interests and all other mineral rights which are described or referred to in Exhibit "A" attached hereto and made a part hereof, subject, however, to the restrictions, exceptions, reservations, interests and other matters, if any, set forth or referred to in the descriptions of such properties and interests in Exhibit "A" (hereinafter collectively called the "Leases"), but subject to all operating agreements, oil and gas sales, purchase, exchange and processing contracts and all other agreements, instruments and matters referred to in Exhibit "B," together with all rights, interests, powers, privileges, options and other benefits of Mortgagor with respect thereto, including without limitation, all credits, deposits, options, privileges and rights of Mortgagor and all options to renew or purchase and rights of first refusal to lease or purchase with respect thereto;
- B. All right, title and interest now or hereafter acquired by Mortgagor in and to (i) the properties now or hereafter pooled, communitized or unitized with any of the properties described in Exhibit "A"; (ii) all existing and future unitization, communitization and pooling agreements and the units created thereby (including, without limitation, all units formed voluntarily or under orders, regulations, rules or other official acts of any federal, state or other governmental body or agency having jurisdiction) which are described or referred to in Exhibit "A" or which embrace or relate to any of the properties, rights and interests described or referred to in Exhibit "A" or to the production of oil, gas, casing head gas, drip gasoline, natural gasoline, condensate and all other liquid or gaseous hydrocarbons therefrom (hereinafter collectively called

"Hydrocarbons") and any other minerals from said property; (iii) all operating agreements, contracts, instruments, rights of way, easements, surface leases, permits, licenses, franchises, servitudes, railroad sidings and other agreements of every kind and description pertaining to or affecting the properties or interests described or referred to in Exhibit "A" or to the production, sale, purchase, exchange or processing of Hydrocarbons or other minerals from or attributable to such properties or interests; and (iv) the properties described in Exhibit "A" are covered hereby even through Mortgagor's interest in said properties be incorrectly described in, or description of a part or all of such interest be omitted from Exhibit "A"; and,

- C. All right, title and interest of every nature whatsoever now owned or hereafter acquired by Mortgagor in and to the rights, interests and properties heretofore described or referred to under headings A and B above, including without limitation, said rights, interests and properties as the same shall be enlarged by the discharge of any payments out of production or by the removal of any charges, encumbrances, restrictions, exceptions, reservations, conditions, limitations, interests and other matters to which any of the said rights, interests and properties, are subject, or otherwise; any and all renewals and extensions of any of said rights, interests and properties; all contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above; and any and all additional interests of any kind hereafter acquired by Mortgagor in and to said rights, interests and properties.

All of Mortgagor's rights, interests and properties hereinabove described or referred to under headings A, B and C are hereinafter sometimes collectively referred to as the "Mortgaged Property."

ARTICLE I.

REPRESENTATIONS, WARRANTIES AND COVENANTS

1.1 Mortgagor represents, warrants and covenants that the Note and the Mortgage are the legal, valid, and binding obligations of Mortgagor, that Mortgagor is the lawful owner of the Mortgaged Property and has good right and authority to mortgage, pledge and hypothecate the same; that the Mortgaged Property is free and clear of all liens and encumbrances of whatever kind or nature, except those created hereby; that each of the Leases is valid and subsisting and is in full force and effect; that all royalties due and payable under the Leases have been timely and correctly paid, and that all severance and production taxes payable with respect to the Mortgaged Property have been timely and

correctly paid; that all producing wells located on the Leases have been drilled, operated and produced in conformity with all applicable law and rules, regulations and orders of all regulatory authorities having jurisdiction, and are subject to no penalties on account of past production; that none of such wells are deviated from the vertical more than the maximum permitted by applicable laws, rules and regulations; that such wells are in fact bottomed under and are producing from and the well bores are wholly within, the lands covered by the Leases and that Mortgagor warrants and will forever defend the title to the Mortgaged Property against the claims of all persons whomsoever claiming or to claim the same or any part thereof.

1.2 So long as the indebtedness secured hereby or any part hereof remains unpaid, Mortgagor, for himself, his heirs, successors and assigns, covenants and agrees with Mortgagee as follows:

- (a) To pay and to discharge promptly, as and when due, and in apt time to prevent and to avoid any sale or forfeiture of the Mortgaged Property therefor, all taxes, assessments, forced contributions, local assessments and governmental charges of every description which shall, from time to time be legally imposed or assessed, or levied by any lawful taxing authority, federal, state, or local, upon the Mortgaged Property, or any part thereof, so that the priority of these presents, as herein stipulated for, shall at all times be duly maintained and preserved; provided, however, that Mortgagor shall not be required to pay any such taxes, assessments, or charges, so long as the validity, or the amount thereof, shall be contested in good faith by Mortgagor in a court of competent jurisdiction, and so long as such contestation shall remain undetermined; but provided further that, in any such event, Mortgagee, at its option, and as a condition precedent to any such contest, shall be entitled to demand of Mortgagor, and Mortgagor hereby agrees to furnish, adequate security to protect Mortgagee in the premises. In the event Mortgagor should, for any reason, fail promptly to pay and to discharge any such taxes, assessments, forced contributions, local assessments, and governmental charges, as and when due, Mortgagee shall be authorized to pay the same with full subrogation to all rights of the taxing authorities by reason of such payment and the amounts so paid, up to a maximum sum equal to twenty-five percent (25%) of the original principal amount of the Note, which sum shall be secured by the Mortgage, and Mortgagor, his heirs, successors and assigns, covenant and agree that within ten (10) days after payment and demand therefor by Mortgagee they shall repay the amounts so paid by Mortgagee as taxes, assessments, etc., together with interest thereon as provided in the Note from date of such payment until said amount is repaid. In case of default

on the part of Mortgagor, his heirs, successors and assigns, to repay Mortgagee such amount with interest, as aforesaid, then at the election and option of Mortgagee, anything herein or in the Note to the contrary notwithstanding, the whole amount of the indebtedness secured hereby, including the amount paid on account of such taxes, assessments, etc., as aforesaid, shall become immediately due and payable, and Mortgagor covenants and agrees to pay the same upon demand. Nothing herein contained shall be construed, however, as making the payment of such taxes, assessments, etc., obligatory upon Mortgagee, or as making it liable for any loss, damage, or injury resulting from the non-payment of said taxes, assessments, etc.;

- (b) Promptly to pay and to discharge all debts, claims and demands of whatsoever name or nature which might by law be entitled to liens superior in rank to that hereby created; but nothing herein contained shall be construed to require Mortgagor to pay any such debt, claim or demand, so long as the validity or amount thereof shall be contested in good faith in a competent court by Mortgagor and such contestation shall remain undetermined; provided, however, that if Mortgagor elects to contest any such debt, claim or demand, Mortgagee, at its option, and as a condition precedent to such contest, shall be entitled to demand of Mortgagor, and Mortgagor agrees to furnish, security satisfactory to Mortgagee to protect Mortgagee in the premises;
- (c) To furnish to Mortgagee, if Mortgagee shall so request, periodic statements showing that all severance taxes due on production of oil or other minerals attributable to the Leases have been properly paid;
- (d) That Mortgagor will promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage or in the execution or acknowledgment thereof, and will execute and deliver any and all additional instruments as may be required to correct such default, error or omission or to identify any additional properties which are or become subject to this Mortgage;
- (e) That Mortgagor will cause the Mortgaged Property to be operated in a good and workmanlike manner in accordance with all applicable laws and rules, regulations and order promulgated by all duly constituted authorities and in accordance with the provisions of each of the Leases, and will maintain all of the Mortgaged Property in good operating

condition, causing all necessary repairs, renewals, replacements, additions and improvements to be promptly made;

- (f) That Mortgagor will observe and comply with all of the terms and conditions, express or implied, of each of the Leases and all agreements pertaining thereto, and will not amend any agreement relating to the Leases, so as materially to affect the value of the Mortgaged Property, or to terminate any of the agreements, or other instruments, or to surrender, abandon or release any of the Leases in whole or in part;
- (g) That Mortgagor will keep insured such portion of the Mortgaged Property that is of any insurable nature and of a character usually insured by persons operating similar properties, and will keep in force public liability insurance in such amounts and of a character usually carried by persons operating similar properties, with companies of recognized responsibility against loss or damage by fire and from other causes customarily insured against, and such policies shall name Mortgagee as the loss payee; and in the event of any loss under any of said policies (other than public liability insurance), Mortgagee shall have the right to collect the same, and all amounts so received shall be applied toward costs, charges and expenses, if any, incurred in the collection thereof, then to the payment of the Note and any other indebtedness secured thereby, and any balance remaining shall be subject to the order of Mortgagor; provided, however, that Mortgagor, if no Event of Default has occurred and is continuing hereunder or if Mortgagee consents thereto in writing, may receive all or a portion of said proceeds so collected for the sole purpose of reimbursing Mortgagor for expenditures made in repairing or restoring the damaged property.

ARTICLE II.

ASSIGNMENT AND PLEDGE OF PRODUCTION

2.1 For the purpose of additionally securing the payment of all indebtedness secured hereby and all indebtedness secured by a pledge of the Note, up to the aggregate sum of \$35,000,000.00, and to facilitate the discharge of all such indebtedness, and as cumulative of any and all rights and remedies herein provided for, Mortgagor, effective as of the date hereof at 7:00 a.m., hereby transfers, assigns, conveys, pledges, sets over and delivers to Mortgagee one hundred percent (100%) of all oil, gas and other Hydrocarbons accruing to or receivable by Mortgagor by virtue of its ownership in the Leases and all proceeds from the Hydrocarbons (after deduction for production and severance taxes applicable thereto). Upon the recording of a notice from Mortgagee that an Event of Default (as defined in Section 4.1 hereof) has occurred, such notice to be

recorded with the Louisiana State Mineral Board and in the parish records of Vermilion and Iberia Parishes, Louisiana, Mortgagor shall immediately cause all Hydrocarbons and proceeds therefrom to be delivered to the credit of Mortgagee at 1000 Louisiana, Houston, Texas 77002, Attention: Chris J. Mathews. Furthermore, Mortgagor will furnish to Mortgagee the names of all parties purchasing or receiving any Hydrocarbons and the names of all parties having in their possession any Hydrocarbons or proceeds therefrom; and Mortgagor will promptly execute and deliver any and all transfer orders, division orders and other instruments that may be requested by Mortgagee for the purpose of effectuating the pledge and assignment made hereunder. If Mortgagor refuses to execute such transfer orders, division orders and other instruments upon five (5) days written request by Mortgagee, Mortgagor will be deemed to have appointed Allied Bank of Texas as its agent and attorney-in-fact to execute any such document and to deliver same to the appropriate parties, hereby acknowledging that this agency is and shall be deemed a power coupled with an interest that may not be revoked.

2.2 Mortgagee is hereby absolved from all liability for failure to enforce collection of the proceeds of the oil, gas and other Hydrocarbons so assigned and from all other responsibility in connection therewith, except the responsibility to account to Mortgagor for funds actually received. Mortgagor agrees to indemnify and to hold harmless Mortgagee against any and all liabilities, actions, claims, judgments, costs, charges and attorneys' fees incurred by reason of the assertion that Mortgagee has received, either before or after the payment in full of the indebtedness secured hereby, proceeds of Hydrocarbons claimed by third persons. Mortgagee shall have the right to defend against any such claims or actions, employing attorneys of its own selection, and Mortgagee shall have the right to compromise and adjust any such claims, actions and judgments; and in addition to the rights to be indemnified, as herein provided, all amounts paid by Mortgagee in compromise, satisfaction or discharge of any such claim, action or judgment and all court costs, reasonable attorneys' fees and other expenses of every character incurred by it, limited in the aggregate to twenty-five percent (25%) of the original principal amount of the Note, shall be a demand obligation owing by Mortgagor to Mortgagee, and shall bear interest at the rate as provided in the Note from the date of expenditure until paid, all of which shall constitute a portion of the indebtedness secured by the lien evidenced by this Mortgage.

2.3 Nothing herein contained shall detract from or limit the obligation of Mortgagor to make prompt payment of the Note in accordance with its terms and provisions.

ARTICLE III.

WAIVER AND PARTIAL RELEASE

3.1 Mortgagee may, at any time and from time to time in writing:

- (a) waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing; or
- (b) consent to Mortgagor's commission of any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failure to do any act which hereunder

Mortgagor is required to do, to the extent and in the manner specified in such writing; or

- (c) release any part of the Mortgaged Property or any interest therein, or any proceeds of Hydrocarbons from the lien of this Mortgage.

No such act shall in any way impair the rights of Mortgagee hereunder.

ARTICLE IV.

REMEDIES IN EVENT OF DEFAULT

4.1 The term "Event of Default" as used in this Mortgage shall mean the occurrence of any of the following events:

- (a) Mortgagor shall default in the payment of principal or interest on the Note or on any obligation for which the Note may be pledged as security; or
- (b) Mortgagor shall default in the performance or observance of any term, warranty, covenant, representation, condition or agreement contained herein; or
- (c) If the Mortgaged Property, or any portion thereof, be seized in the execution of any writ of executory process, attachment, or fieri facias, or of any other legal process; or
- (d) Mortgagor becomes insolvent or makes an assignment for the benefit of creditors; or
- (e) Mortgagor has proceeding taken against him, looking to the appointment of a receiver or syndic, or should Mortgagor make an assignment for benefit of creditors, or if any order by issued by any court for the appointment of a receiver or receivers for him, or Mortgagor by any act or omission indicates his consent to, approval of or acquiescend in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of his properties; or
- (f) Mortgagor commences any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or if there shall have been filed any such petition or application or any such proceeding shall have been commenced against Mortgagor, in which an order for relief is entered or adjudication or appointment is made or which remains undismissed for a period of thirty (30) days or more.

4.2 Upon the occurrence of an Event of Default, all indebtedness secured hereby in its entirety shall be immediately due and payable, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law. Furthermore, 100% of the proceeds of the oil, gas and other Hydrocarbons assigned herein shall thereafter be applied by Mortgagee until the Note and all other indebtedness of Mortgagor to Mortgagee is paid in full.

4.3 Upon the occurrence of an Event of Default, Mortgagee is authorized prior to or subsequent to the institution of any foreclosure proceedings to enter upon the Mortgaged Property, or any part thereof, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession and operation of the Mortgaged Property. All costs, expenses and liabilities of every character incurred by Mortgagee or its keeper (as provided in Section 4.7 below) in managing, operating and maintaining such properties, limited in the aggregate to twenty-five percent (25%) of the original principal of the Note, shall constitute a demand obligation owing by Mortgagor to Mortgagee, shall draw interest from date of expenditure until paid at the rate as provided in the Note, all of which shall constitute a portion of the indebtedness secured by the lien evidenced by the Mortgage.

4.4 Mortgagor, for himself, his heirs, successors and assigns, does by these presents agree and stipulate that it shall be lawful and, the Mortgagor hereby authorizes Mortgagee, upon the occurrence of an Event of Default, to cause all and singular the Mortgaged Property to be seized and sold by executory process, without appraisalment, either in its entirety or in lots or parcels, as Mortgagee may determine, to the highest bidder for cash or on such terms as Mortgagee in such proceedings may direct; and Mortgagor, for himself and his heirs, successors and assigns, hereby acknowledges the obligations secured hereby whether now existing or to arise hereafter and hereby confesses judgment thereon if the obligations are not paid at maturity.

4.5 To the extent allowed by law, Mortgagor hereby waives: (i) the benefit of appraisalment as provided in Articles 2332, 2336, 2723 and 2724 of the Louisiana Code of Civil Procedure, and all other laws conferring the same; (ii) the demand and three days delay accorded by Articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (iii) the notice of seizure required by Articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (iv) the three days delay provided by Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; (v) the benefit of the other provisions of Articles 2331, 2722 and 2723 of the Louisiana Code of Civil Procedure; and (vi) any other articles not specifically mentioned above.

4.6 The proceeds of any sale held by any receiver or public officer in foreclosure of the liens evidenced hereby shall be applied:

First: To the payment of all necessary costs and expenses incident to such foreclosure sale, including, but not limited to, all court costs and charges of every character;

Second: To the payment of the indebtedness secured hereby, first to

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the unpaid interest thereon, and second,
to unpaid principal thereon; and

Third: The remainder, if any there shall
be, shall be paid to Mortgagor, his
successors or assigns as their interests
may appear.

Mortgagee shall have the right to become the purchaser at any sale held by any receiver or public officer, and Mortgagee shall have the right to credit upon the amount of bid made therefor, to the extent necessary to satisfy such bid, the indebtedness secured hereby owing to Mortgagee.

4.7 All remedies herein expressly provided for are cumulative of any and all other remedies now existing at law, and Mortgagee shall, in addition to the remedies herein provided, be entitled to avail itself of all such other remedies as may now or hereafter exist at law for the collection of said indebtedness, the enforcement of the covenants herein, and the foreclosure of the lien evidenced hereby; the resort to any remedy provided for hereunder, or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies. Mortgagor expressly authorizes and agrees that Mortgagee shall have the right to appoint a keeper of the Mortgaged Property pursuant to the terms and provisions of La. R.S. 9:5131 et seq. The compensation of the keeper is hereby fixed at 1% of the amount due or sued for or claimed or sought to be protected, preserved or enforced, and shall be secured by the lien of this Mortgage.

4.8 Mortgagee may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the indebtedness secured hereby, in whole or in part, and in such portions and in such order as may seem best to Mortgagee, in its sole discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits or liens evidenced by this instrument.

4.9 If, while this Mortgage is in effect, the title of Mortgagor, his heirs, successors or assigns, to the property herein described or any part thereof, or the priority of the lien of this Mortgage, is questioned or attached, directly or indirectly, by suit or other judicial proceedings, or in any manner, or if a controversy of any nature arises relative to such title or the priority of such lien, or if after this Mortgage is released, any person shall make a claim or demand against Mortgagee on account of any action or omission of Mortgagee, Mortgagor agrees to protect and to save harmless Mortgagee from any such costs, loss, damage or claim by reason of such attack, controversy, suit, claim or demand, and Mortgagee is hereby authorized and instructed at the cost and expense of Mortgagor, to take such steps as in the judgment of Mortgagee may be necessary or proper to defend against such claim, demand, controversy, suit or attack, including the employment of counsel and the prosecution and defense of litigation; and the expenses incurred in such proceeding, including all sums paid for attorneys' fees, court costs, and all other expenses of every kind and nature, not to exceed twenty-five percent (25%) of the original principal amount of the Note secured hereby, while this Mortgage remains in effect, shall become an additional part of the debt secured hereby, bearing the rate of interest as provided in the Note, be payable on demand, and be secured by the lien and privilege of this Mortgage (the same not having been previously released) upon the Mortgaged Property and whether before or after this Mortgage

is released, Mortgagor agrees to pay to Mortgagee on demand all such sums and expenses paid and suffered by Mortgagee and that the same shall be secured by subrogation to all the rights, liens, equities, superior title and benefits held, owned, possessed and received at any time by any owner or holder of any claim, lien, assessment, charge or expense so paid. The rights of Mortgagee secured hereby under this paragraph may be availed of by Mortgagee and exercised at any time regardless of whether the indebtedness secured hereby be then due or not; and it is distinctly understood that the release of this Mortgage shall not relieve Mortgagor of his liability to save Mortgagee harmless from any damage suffered by Mortgagee on account of any claim or demand made against it after release of this Mortgage.

ARTICLE V.

MISCELLANEOUS PROVISIONS

5.1 This act is in all respects to be construed under the laws of the State of Louisiana, including, but not limited to, La. R.S. 31:197 et seq. as (i) a mortgage, hypothecation, pledge and confession of judgment by Mortgagor in favor of Mortgagee, and (ii) as a pledge and assignment of production in favor of Mortgagee, to secure the payment of the principal and interest of the Note and also to secure all attorneys' fees, costs, charges and the performance of all obligations of Mortgagor contained herein and in the Note.

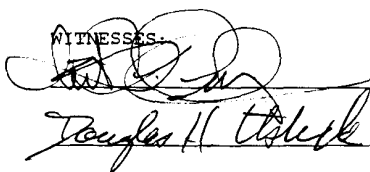
5.2 The parties hereto waive the production of any mortgage, conveyance and tax certificates and agree to hold the undersigned Notary harmless in the premises.

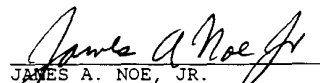
5.3 The terms, provisions, covenants and conditions hereof shall be binding upon Mortgagor, his successors and assigns, and shall inure to the benefit of Mortgagee, whether or not expressly provided for herein.

The undersigned intervenor hereby accepts this act of Collateral Mortgage, Pledge and Assignment of Production on behalf of Mortgagee.

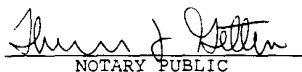
Thus Done and Passed on the date first above written, in multiple originals, in my presence and in the presence of the undersigned competent witnesses, who have hereunto signed their names with the said Appearers and me, Notary.

WITNESSES:


Douglas H. Tishler


JAMES A. NOE, JR.


INTERVENOR


NOTARY PUBLIC

Approved subject to attached
Resolution July 9, 1986
STATE MINERAL BOARD

-11-

BY: 
DEPUTY ASSISTANT SECRETARY

EXHIBIT "A"

An undivided 0.26908% of 8/8 overriding royalty interest affecting State Lease No. 340, executed by the State of Louisiana, as Lessor, in favor of Wm. T. Burton, as Lessee, dated February 7, 1936, recorded in Conveyance Book 126, Page 185, under Entry No. 49234 of the records of Iberia Parish, Louisiana and recorded in Conveyance Book 124, Page 615, under Entry No. 57878 of the records of Vermilion Parish, Louisiana, as amended by that certain instrument dated November 18, 1943, recorded in Conveyance Book 156, Page 267, under Entry No. 63925 of the records of Iberia Parish, Louisiana and recorded in Conveyance Book 169, Folio 362, under Entry No. 80727 of the records of Vermilion Parish, Louisiana, insofar as said State Lease No. 340 covers and affects TRACT I and TRACT II described below:

TRACT ISOUTH MARSH ISLAND PROSPECT

All of the property now or formerly constituting the beds and other bottoms of lagoons, lakes, gulfs, bays, coves, sounds, inlets and other water bodies, and also all islands and other lands belonging to the State of Louisiana, and covered by State Mineral Lease No. 340, and being situated or included within the following described boundaries:

Beginning at a point in the South shore line of Marsh Island which is 6,900 feet West of a North and South line drawn through U.S. Coast and Geodetic Survey Triangulation Station "LA CROIX" 1933 (Station Latitude 29 degrees 32 minutes 17.947 seconds, and Longitude 91 degrees 57 minutes 23.461 seconds, North American Datum of 1927); Thence South into the marginal or maritime belt of the Gulf of Mexico to the extreme limit or boundary of the domain, territory and sovereignty of the State of Louisiana; Thence Easterly along said limit or boundary to a point which is 32,900 feet East of a North and South line drawn through said Station "LA CROIX"; Thence North through the Gulf of Mexico to the South shore of Marsh Island; Thence Westerly following on and along the shore of Marsh Island and the boundary of State Mineral Lease No. 340 to the place of beginning.

TRACT IISOUTHWEST MARSH ISLAND PROSPECT

All of the property now or formerly constituting the beds and other bottoms of lagoons, lakes, gulfs, bays, coves, sounds, inlets and other water bodies, and also all islands and other lands belonging to the State of Louisiana, and covered by State Mineral Lease No. 340, and being situated or included within the following described boundaries:

Beginning at a point in the South shore line of Marsh Island, which is 6,900 feet West of a North and South line drawn through U.S. Coast and Geodetic Survey Triangulation Station "LA CROIX" 1933 (Station Latitude 29 degrees 32 minutes 17.947 seconds, and Longitude 91 degrees 57 minutes 23.461 seconds, North American Datum of 1927) which point is also the Northwest corner of the South Marsh Island Prospect hereinabove described;

Thence south into the marginal or maritime belt of the Gulf of Mexico following on and along the West boundary of the South Marsh Island Prospect hereinabove described, to the extreme limit or boundary of the domain, territory and sovereignty of the State of Louisiana; Thence Westerly along said limit or boundary to a point which is 58,000 feet West of a North and South line drawn through the Northeast corner of the Southwest Marsh Island Prospect; Thence North through the Gulf of Mexico to the South shore of Vermilion Parish and the North boundary of State Mineral Lease No. 340; Thence Easterly following on and along the South shore of Vermilion Parish and on the North boundary of State Mineral Lease No. 340, crossing Southwest Pass and continuing Southeasterly to the place of beginning.

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EXHIBIT "B"

Operating Agreements, etc.

NONE

TFG-360

FILED FOR RECORD

FEB 21 1968

Kim H. Deary
RECORDS CLERK OF COURT
PRINCETON, N.J.

STATE OF LOUISIANA
PARISH OF IBERIA

I hereby certify this to be a full and true copy of an original instrument
filed in my office on 2-21-85 at 12:03 and duly recorded in:

CONVEYANCE BOOK 869, folio 44,
MORTGAGE BOOK 481, folio 569, ENTRY NO: 80-1602

CHATTEL MORTGAGE RECORDS UNDER ENTRY NUMBER: _____
BOOK _____, folio _____, ENTRY NO: _____
of the records of Iberia Parish, Louisiana.

GIVEN UNDER MY HAND AND SEAL OF OFFICE AT NEW IBERIA,
LOUISIANA, this 8 DAY OF April, 1986.

BY Phillip A. Goheen
Deputy Clerk of Court

LAW OFFICES
THEUS, GRISHAM, DAVIS & LEIGH
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1401 HUDSON LANE, SUITE 300
POST OFFICE DRAWER 4768
TELEPHONE (318) 388-0100

MONROE, LOUISIANA 71211-4768

May 20, 1986

STATE MINERAL BOARD

55 MAY 22 10:51

RECEIVED

RONALD L. DAVIS, JR., PC.
ROBERT LEE CURRY III, PC.
CHARLES H. HECK, PC.
EDWIN K. THEUS, JR., PC.
J. MICHAEL HART, PC.
PAUL D. SPILLERS, PC.
BRIAN E. CRAWFORD, PC.
PHILLIP D. MYERS
DAVID H. NELSON
THOMAS G. ZEITNER, JR.
JAMES M. EDWARDS

JOHN C. THEUS (1893-1938)
ORIN M. GRISHAM (1898-1944)
RONALD L. DAVIS (1922-1959)
JOHN C. THEUS, JR. (1924-1972)
EDWIN K. THEUS (1929-1974)
THOMAS W. LEIGH, (1924-1983)

ELN 62848424
TWX 9103806175 (TGDLI)

Mrs. Yvonne R. Cutrer
Supervisor, Lease Records
Louisiana State Mineral Board
P. O. Box 2827
Baton Rouge, Louisiana 70821-2827

Re: James A. Noe, Jr.
State Lease No. 340

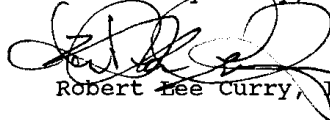
Dear Mrs. Cutrer:

The Collateral Mortgage, Pledge and Assignment of Production by James A. Noe, Jr. to Allied Bank of Texas now appears of record in St. Mary Parish, Louisiana, in Conveyance Book 29-L, Entry No. 215,361 and in Mortgage Book 529 as Entry No. 172,310.

Please let me know if you need anything further.

With kindest regards, I remain

Yours very truly,



Robert Lee Curry, III, P. C.

RLC/jm

cc Mr. James A. Noe, Jr.

*St. Mary
recording data*